GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2416
ANSWERED ON:10.03.2000
ECONOMIC DEVELOPMENT OF THE COUNTRY
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Will the Minister of FINANCE be pleased to state:

(a) whether Non-Resident Indians and the nationals ofIndian origin who settled down abroad have large reserves of intellectuals management and entrepreneurship resources;

(b) if so, whether the Government have prepared any plan for the utilization of above reserves for the economic development of the country; and

(c) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a), (b) & (c): In order to tap large reserves of intellectual, management and entrepreneurship resources of the Non-Resident Indians (NRIs) andthe nationals of Indian origin who settled down broad, Government of India has encouraged them to participate in the development of the Indian economy through foreign investment route. Policies and Procedures governing Foreign Direct Investment/NRI investments are streamlined/simplified from time to time to create a morefavourable investment environment for NRI. Presently NRIs are allowed
(i) automatic approval up to 100% in the high priority industries,
(ii) higher Foreign Direct Investment limits in sectors having sectoral caps, such as Air-taxi operations and private sector banks,
(iii) investment up to 100% in the Housing and Real Estate Sector, which is not otherwise open for FDI and
(iv) investment in Indian stock market subject to an individual limit of 5% and cumulative limit of 10%, which will be exclusive and separate from Foreign Institutional Investor (FII) investment ceilings to avoid crowding out of NRIs by FIIs. In addition, Government have also attracted resources from the NRIs through special deposit schemes.

The salient schemes are as under:

1.Direct Investment

(a)100 % investment, with repatriation benefit in
(i) areas notified by the Department of Industrial Policy and Promotion for automatic approval for FDI including NRI investments;
(ii) trading companies;
(iii) 100% Export Oriented Units (EOUs), units in FreeTrade Zones (FTZ)/Export Processing Zones (EPZs), Software Technology Parks (STPs), Electronic Hardware Technology Parks (EHTPs);
(iv) housing and real estate development sector;
(v) air taxi operation;
(vi) sick industrial units.

(b) NRIs can invest up to 40% of the paid up capital in private banks.

(c) NRIs are permitted to subscribe to new issues of equityshares/convertible debentures of new or existing companies (private and public limited) in the fields of finance, hire purchase, leasing, trading or other services (except agriculture/plantation activities), and establishment of schools/colleges in India up to 24%.

(d) Other investments with repatriation benefits include
(i) investment in domestic mutual funds;

(ii) investment in bonds issued by public sector undertakings;

(iii) shares of public sector enterprises;
(iv) deposits with companies;
(v) investments in securities/shares.

(e) Investment without repatriation benefits include

(i)100% equity permissible in proprietary/partnership concerns engaged in industrial/trading/commercial activities (except agricultural/plantation activities or real estate business);
(ii) 100% equity in shares/convertible debentures of Indian companies engaged in industrial/trading/commercial activities (except agricultural/plantation activities or real estate business).

2. Portfolio Investment

(a)Investment limit is 5%. Aggregate limit is 10% (this can be enhanced to 24% by a General Body Resolution of the company).This ceiling is separate from the ceiling applicable to foreign institutional investors.

(b)Investment in unlisted companies is permitted.

3. Bank Accounts

NRIs are permitted to open the following types of bank accoints:

(a) Non-Resident (External) Rupee Accounts;

(b) Ordinary Non-Resident (Non-Repatriable) Rupee Accounts;

(c) Non-Resident (Non-Repatriable) Rupee Deposit Accounts;

(d) Foreign Currency (Non-Resident) Accounts (Banks);

(e) Non-Resident (Special) Rupee Accounts